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No. 95-237

IN THE
Supreme Court of the United States
OCTOBER TERM, 1995

SEBASTIAN INTERNATIONAL, INC.,
Petitioner,
vs.
LONGS DRUG STORES CORPORATION,
Respondent.

PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PETITIONER'S REPLY BRIEF

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This Court's decisions in *Prestonettes v. Coty*, 264 U.S. 359 (1924) and *Champion Spark Plug Company v. Sanders*, 331 U.S. 125 (1947) both require full disclosure to protect the public from confusion. Telling the truth is what Justice Holmes called it. 264 U.S. at 368.

On the other hand, the Ninth Circuit and Respondent Longs say that when a trademark is used without permission, the finding of a likelihood of public confusion, the core of the Lanham Act, is irrelevant:

> But as the court of appeals correctly pointed out, such [public] 'confusion' is legally irrelevant and could not support the District Court's order. *Sebastian*, 53 F.3d at 1076-7.

Respondent's Brf. at 6.

Respondent's own statement contradicts its *Amicus Brief*, that claims there is no clear record from which this Court can render a decision. *Amicus Brf.* at 4. Nothing could be further from the truth. The Ninth Circuit has drawn a bright line separating itself from *Prestonettes, Champion*, and the literal language of the Lanham Act.

Here, Longs never told the public it was not part of the Sebastian Collective. In contrast, a disclaimer in *Prestonettes* was required despite the finding by this Court that the trademark user had not altered or adulterated the trademarked goods. In the present case, the district court found that Longs was selling Sebastian products in a manner which was likely to cause confusion, and could harm Sebastian's reputation. (App. C2, C7-10). But the Ninth Circuit still maintains that any public confusion, and any resulting harm to the members of the Sebastian Collective, are not the issue.

The *Amicus Brief* attempts to muddle the issues by painting the Sebastian Collective Membership mark as an obscure and enigmatic legal issue. That is not so. Indeed, Longs concedes that collective marks should be treated the same as any other trademark. Respondent's Brf. at 7-8.

The effect of the Ninth Circuit decision on a collective membership mark, or a trademark for that matter, can be easily seen in a hypothetical example not unlike the present situation. A group of hair salons form a business association, deciding to foster public awareness of that association and each salon's membership in it. Subsequently, the association obtains a federally registered collective membership mark, calling the collective the "Bassoon Group." Then, the Bassoon Group decides that it wants to begin selling exclusive hair care products, so it hires "Brell Company" to manufacture Bassoon Group products. These products have a

proprietary formula which the Bassoon Group believes is better than any other on the market.

Brell, after manufacturing the hair care products, uses a distributor to sell the products to the Bassoon Group members in the quantities that each individual member desires. On the hair care products is the collective membership mark with a statement that the seller of the product is a member of the Bassoon Group, which is the only place these products can be purchased. Unfortunately, someone who is not at all authorized sells the Bassoon products with the collective membership mark to "Head Flakes," an establishment that is not a member of the collective. The public begins to buy the Bassoon Group products at Head Flakes, believing that Head Flakes is a member of the Bassoon Group.

Under the Ninth Circuit's decision, whether Bassoon or Brell started the collective doesn't matter. Whether the public is confused into thinking Head Flakes is also a member of the Bassoon Group also is irrelevant. All that matters is the (illegal) sale to Brell, which terminates all rights, collective membership rights, and/or trademark rights, and/or rights to prevent unfair competition. 15 U.S.C. §§ 1054, 1114, 1125.

In short, the Bassoon Group has no rights nor any legal remedy whatsoever, according to the Ninth Circuit.

The duty to tell the truth, articulated by Justice Holmes in *Prestonettes*, which is no different than the full disclosure requirement of *Champion*, has thus been obliterated by the Ninth Circuit. The explicit "confusion" language of the Lanham Act, 15 U.S.C. §§ 1114 and 1125, also has been excised entirely from the statute in a "per se" manner. That should not be and, it is respectfully submitted, is not the law. Rather, the proper approach is to use the "rule of reason" to analyze the alleged anticompetition action. *Continental TV, Inc. v.*

GTE Sylvania, Inc., 433 U.S. 36 (1977); *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992).

A dangerous precedent has been set, and it must be rectified.

DATED: September 22, 1995.

Respectfully submitted,

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